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C O N F I D E N T I A L SECTION 01 OF 02 MUSCAT 000593

SIPDIS

STATE PASS TO USTR FOR J.BUNTIN, C.HINCKLEY, AND M.MOWREY
COMMERCE FOR T.HOFFMAN

E.O. 12958: DECL: 08/18/2018
TAGS: EFIN EINT ETRD ETTC MU ETRA
SUBJECT: TELECOM LICENSE ISSUE MAY FURTHER DELAY FTA
IMPLEMENTATION

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b, d)

¶1. (C) Summary: Oman's Telecommunication Regulatory
Authority (TRA) held a press conference August 11 inviting
companies to bid for a new fixed telecommunications license
package. The bidding process may further delay
implementation of the U.S.-Oman Free Trade Agreement (FTA) by
deferring other telecom service offerings required by the
agreement. Embassy, in coordination with USTR, is attempting
to lobby Omani officials to issue FTA-compliant regulations
for these services and map out next steps to secure FTA
implementation before year's end. End Summary.

¶2. (U) TRA announced the opening of the bid process for a
"full fixed public telecommunications license" in a press
conference August 11 led by Engineer Nashiah Al-Kharousiyah.
The license package, carrying a minimum price of 500,000
Omani Riyals ($1.3 million), provides for local and
international phone lines, broadband services (with radio
spectrum not currently available to Omantel, the national
telecom provider), a submarine cable, and a landing station
for cables. The terms of the package include a 25-year
contract to carry the fixed-line license with the ability to
renew and a 15-year contract to carry broadband internet
services with an option to renew for an additional 10 years.

¶3. (U) According to the announcement posted on TRA's
website, potential bidders for the telecommunications
licensing package must: a) Be a telecommunications operator
or a consortium led by a telecommunications operator; b) Have
more than 300,000 active fixed subscribers in operation for a
period of two years; c) Possess experience handling
international long distance services; d) Hold net assets in
excess of $200 million; e) Have no affiliation with Omantel;
f) Have previous involvement in the start-up of a telecom
network operation in a competitive market; and g) Hold no
interest or equity in a rival consortium. The TRA reserves
the right to pre-qualify a maximum of 10 bidders.
Expressions of interest must be received by TRA by August 25
with proposals due two weeks later. The winning bid will be
announced at the end of October.

¶4. (C) Econoff spoke to Al-Kharousiyah on August 12, the day
after the announcement, to clarify procedural guidelines and
discuss how the licensing bid process may affect
implementation of the FTA. Al-Kharousiyah noted that the
package contains a valuable trench of spectrum, one of only
two trenches still available for use in Oman. She added that
TRA may consider awarding licenses to two companies, pending
bid review. TRA expects the bid winner(s) to develop much
needed additional infrastructure to increase the number and
diversify the type of telecom services offered in Oman.
(Note: The official announcement and press conference implies
that only one company will be awarded the package. End
Note.) Al-Kharousiyah believes that once a framework for
additional services is available, only then will the TRA be

able to revisit other telecom licensing issues required by the FTA. She assured Econoff that TRA will consider all bids for the current license package and encouraged U.S. companies to apply.

¶5. (C) Under the FTA, Oman must issue Class I licenses for any company that meets standard, cost-based criteria to compete in the fixed-line market; it must also eliminate excessively high licensing fees. (Note: Omanis heavily rely on mobile phones due to the high cost of and limited access to fixed-lines. There are currently 10 mobile users per one fixed-line user. End Note.) According to Al-Kharousiyah, Oman will not offer these licenses separate from the aforementioned package until the bid process is completed and the physical framework for services has been improved. USTR and Embassy, in a DVC held June 16, warned TRA that this scheme may delay FTA implementation since Oman would likely have to wait until at least the end of October or November to reexamine offering separate licenses. Al-Kharousiyah said Oman followed its initial plan based on a study and advice from a consulting company. She seemed to understand the tender process could slow the FTA process further, but adamantly claimed that they "were not turning back."

¶6. (C) Comment: Oman's decision to go forward with the aforementioned licensing format came as a surprise to the Embassy, as well as to several Omani contacts from the Ministry of Commerce and Industry and the Information Technology Authority. Per a series of recent calls between the Ambassador and Omani officials, Embassy understood that Oman was exploring other options to improve its telecom services and regulations, similar to those taken by Bahrain,

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to bring Oman into compliance with FTA principals. However, USTR confirmed that the license package itself does not necessarily violate the FTA, even regarding the bid fee of OR 500,000, as it offers spectrum. End Comment.

¶7. (C) Next Steps: The Ambassador has an outstanding request to meet with the Minister of Commerce and Industry and the Minister of National Economy, both of whom have been out of the country traveling with the Sultan, to express our FTA concerns and try to set a timeline for completion of remaining FTA business. The Ambassador has also sent a letter, cleared by USTR, to TRA Chairman Mohammed Al-Khusaibi, requesting confirmation of date when TRA will begin accepting applications for specific services and revision of TRA's licensing fee structure. Pending the result of those meetings, Embassy will devise and coordinate an appropriate strategy to work with our Omani counterparts.
GRAPPO